CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

GOVERNMENT
DOCUMENTS DEPT

MAR 03 2010

SAN FRANCISCO
PUBLIC LIBRARY

AUDIT FOLLOW-UP MEMORANDUM

DATE: March 2, 2010

TO: Michael Hennessey, Sheriff, Sheriff's Department

FROM: Tonia Lediju, Director of Audits, City Services Auditor

SUBJECT: **Results of Follow-up Review for Audit of the Sheriff's Inmate Welfare Fund**

EXECUTIVE SUMMARY

The Controller's City Services Auditor Division (CSA) issued an audit of the Sheriff's Inmate Welfare Fund on March 16, 2007, titled, *Office of the Sheriff: The Sheriff is Entitled to Additional Commissions From Its Telephone Services Provider for the Inmate Welfare Fund.* CSA issued two audit follow-up questionnaires to the Sheriff's Department (Sheriff), at six-month and 12-month intervals, inquiring about the status of implementation of the audit recommendations. No response to either inquiry was received from the Sheriff. Subsequently, CSA completed a follow up on the status of the recommendations from the March 16, 2007, audit report.

In its 2007 response to the audit report, the Sheriff concurred with six of the report's seven recommendations. Of the five recommendations CSA selected to assess evidence of the Sheriff's implementation, two were fully implemented, two were partially implemented, and one was not implemented. The detailed recommendations and the implementation status of each are presented in Attachment A. The Sheriff's response to this follow-up is included as Attachment B.

BACKGROUND & METHODOLOGY

California Penal Code (CPC), Section 4025 provides that each county may maintain an inmate welfare fund, and requires that the fund be used for the benefit, education, and welfare of the inmates confined in county jails. The Sheriff's Department (Sheriff) of the City and County of San Francisco (City) administers the Inmate Welfare Fund.

Generally Accepted Government Auditing Standards (GAGAS), Section 8.05, promulgated by the United States Government Accountability Office, states that the purposes of audit reports include facilitating follow-up to determine whether appropriate corrective actions have been taken. In accordance with GAGAS, CSA conducted a follow-up review for five of the recommendations contained in the March 16, 2007, audit report,

titled, *Office of the Sheriff: The Sheriff is Entitled to Additional Commissions From Its Telephone Services Provider for the Inmate Welfare Fund.*

This follow-up review determined whether the Sheriff has taken the corrective actions needed to implement the audit report's recommendations. The goal of implementing the audit recommendations is to ensure that the Sheriff both retrieves all of the funds to which it is entitled, and complies with the City's contracting rules. CSA requested that the Sheriff report the progress of implementing each of the recommendations. The auditor's role was to verify the reported progress on five judgmentally selected recommendations.

To conduct the follow-up, CSA met with Sheriff personnel to discuss the status of the corrective actions taken to date. CSA also obtained documentary evidence, verified the existence of processes that have been established, and documented the results of our fieldwork.

RESULTS

The Sheriff's chief financial officer reported to CSA the Sheriff's progress on the implementation of the five selected recommendations. For the five recommendations assessed, CSA interpreted the information provided to indicate that the Sheriff has:

- Fully implemented recommendations number 4 and 6.
- Partially implemented recommendation numbers 2 and 5.
- Not implemented recommendation number 1.

See the attached schedule for details of the status of the five recommendations selected for follow-up testing.

CSA extends its appreciation to you and your staff who spent time working with us to answer our questions. If you have any questions or concerns, please call or e-mail Audit Manager Elisa Sullivan, at (415) 554-7654 or ***Elisa.Sullivan*@sfgov.org**.

cc: Ben Rosenfield, Controller
Robert Tarsia, Deputy Audit Director
Elisa Sullivan, Audit Manager
Edvida Moore, Associate Auditor

3 1223 08679 6720

ATTACHMENT: FINDINGS AND RECOMMENDATIONS

Audit Report Rec #	Recommendation	2009 Status per SFSD	Auditor's Follow-up Work	Results
1	Work with the Office of the City Attorney (City Attorney) to bill and collect from PCS the $1,921,589 in retroactive commissions and late interest charges, under the "Most Favored Customer" contract clause for the period of June 2000, through March 2006. Determine if there are additional amounts owed for months subsequent to March 2006.	On April 17, 2007, the Sheriff sent a letter to the City Attorney (Reference: 2007-068), informing the City Attorney about the audit finding. The Sheriff's letter indicates that it also sent three related documents to the City Attorney: the audit report; the Agreement between PCS and the Sheriff; and the Inmate Telephone Service Agreement. On April 30, 2009, the Sheriff informed CSA that it is "scheduling a meeting with the City Attorney."	Obtained a copy of the Sheriff's April 17, 2007 letter to the City Attorney. Discussed status with Sheriff staff and determined that as of September 9, 2009, the Sheriff had not collected any of these funds. The Sheriff informed CSA that it is working with a "third party administrator to collect funds related to its inmate telephone service, at no cost to the Sheriff." The Sheriff also sent CSA a copy of its professional service agreement with the third party.	**Not implemented**
2	Solicit competitive bids for inmate telephone services in place of the 2006 contract with PCS. If the PCS contract is selected, obtain Board of Supervisor approval for the 2006 inmate telephone services contract.	In response to CSA's inquiry about this recommendation, the Sheriff stated that it will issue a Request for Proposal (RFP) after July 1, 2009. The Sheriff also noted that its contract with PCS expires on December 31, 2009.	Confirmed that the Sheriff's contract with PCS expired on December 31, 2009. Inquired about the status of the proposed RFP. According to the Sheriff, its contract analyst is in the process of drafting the RFP. Requested that, when available, the Sheriff provide a copy of the contract to CSA, with evidence of the Board's approval.	**Partially implemented**

Audit Report Rec #	Recommendation	2009 Status per SFSD	Auditor's Follow-up Work	Results
4	Obtain Board of Supervisor approval for the commissary contract with Canteen Correctional Services, Inc.	On April 13, 2009, the Sheriff sent a proposed resolution to the Board of Supervisors requesting approval of the Sheriff's Contract for Jail Commissary and Inmate Trust Fund Accounting and Management System with ARAMARK Correctional Services, LLC.	Determined that, on Tuesday, May 19, 2009, the Board of Supervisors approved the Sheriff's Contract for Jail Commissary and Inmate Trust Fund Accounting & Management System with ARAMARK Correctional Services, LLC.	**Implemented**
5	Obtain Board of Supervisor approval for all contracts, contract amendments or modifications, with anticipated revenues over $1 million, in accordance with the San Francisco Administrative Code requirements.	The Sheriff responded to CSA's inquiry about this recommendation by stating that it will follow the City Administrative Code in the future. In addition, the Sheriff requested a copy of the Administrative Code section referenced in the recommendation, which CSA provided.	The Sheriff noted that it has only two revenue contracts that fall into this category: the inmate telephone contract and the inmate commissary contract, which are discussed in recommendations 2 and 4. The commissary contract has been approved by the Board as noted under recommendation 4. The telephone contract has not yet been approved by the Board.	**Partially implemented**
6	Transfer the $66,437 in commissary commissions from the City's General Fund into the Inmate Welfare Fund for the period July 1, 2000, through March 31, 2006. Determine whether additional amounts should be transferred subsequent to March 2006.	The Sheriff's Chief Financial Officer provided CSA with copies of entries made in FAMIS, showing the transfer for commissary commissions from the City General Fund into the Inmate Welfare Fund. According to the Sheriff's Chief Financial Officer, the Controller's Accounting Operations & Systems Division (AOSD) will not transfer funds from previous fiscal years. With regard to additional amounts that may need to be transferred, the Sheriff's CFO informed CSA that, after March 2006, the Sheriff put all commissions into the Inmate Welfare Fund. As such, no additional transfers are needed.	Reviewed those entries and determined that only 14.54 percent of the $66,437 ($9,659) was transferred into the Inmate Welfare Fund from the City's General Fund. A balance of $56,778 remained to be transferred into the inmate welfare fund. CSA consulted with the Controller's Budget and Analysis Division (BAD) about this matter, The director of BAD determined that transferring the $56,778 is a sound use of the City's audit reserve, and that the reserve contains sufficient funds to cover this amount. Amount has been transferred to the Sheriff's Inmate Welfare Fund.	**Implemented**

ATTACHMENT B: SHERIFF'S RESPONSE

City and County of San Francisco

OFFICE OF THE SHERIFF

Michael Hennessey
SHERIFF

(415) 554-7225

February 24, 2010
Reference: 10-020

Tonia Lediju, Director of Audits
Controller's Office
1 DR. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Results of Follow-up Review for Audit of the Sheriff's Inmate Welfare Fund

Dear Ms. Lediju:

The San Francisco Sheriff's Department submits the following update on the implementation of the five selected recommendation in response to auditor follow up work:

Recommendation #1
Work with City Attorney to bill and collect from PCS $1,921,589 in retroactive commission and late interest under the "Most Favored Customer" contract clause for the period of June 2000 through March 2006. Determine if there are additional amounts owed for months subsequent to March 2006

Response
The Sheriff's Department continues to work with its third party administrator and City Attorney to collect past due commissions.

Recommendation #2
CSA recommendation that the SFSD solicit competitive bids for inmate telephone services to replace is 2006 contract with PCS In the event that SFSD choose to continue with PCS 2006, the SFSP obtain required approved from the Board of Supervisors.

The Department has issued RFP to solicit competitive bids for inmate telephone services and has issued an intent to award. As soon as the contract has been negotiated, the Department will seek approval from the Board of Supervisors.

Recommendation #4
Obtain Board of Supervisor approval for the commissary contract with Canteen Correctional Services, Inc.

ROOM 456 CITY HALL • 1 DR. CARLTON B. GOODLETT PLACE • SAN FRANCISCO, CA 94102
EMAIL sheriff@sfgov.org • FAX (415) 554-7050

Response
As indicated in the follow up report, this recommendation has been implemented. No further action is required.

Recommendation #5
CSA recommended that SFSD obtain Board's approval for all contracts, amendments etc with anticipated revenues over $1 Million in accordance with San Francisco Administrative Code.

Response
The Department will obtain Board's approval on the inmate phone contract.

Recommendation #6
Transfer $66,437 in commissary commissions from the City's General Fund into the Inmate Welfare fund for the period July 1, 2000 through March 31, 2006. Determine whether additional amount should be transferred subsequent to March 2006.

The Controller has transferred $56,778 from the General Fund to the Inmate Welfare Fund in February 2010. The Sheriff's Department has previously transferred $9659 from the General Fund to Inmate Welfare Fund. We have determined that no additional amounts should be transferred subsequent to March 2006. No further action is required.

If you have any questions, please feel free to contact Maureen Gannon ,Chief Financial Officer at 415-554-4316.

Sincerely,

Michael Hennessey
Sheriff

cc: Chris Cunnie, Undersheriff
Michael Marcum, Assistant Sheriff